

# AR14

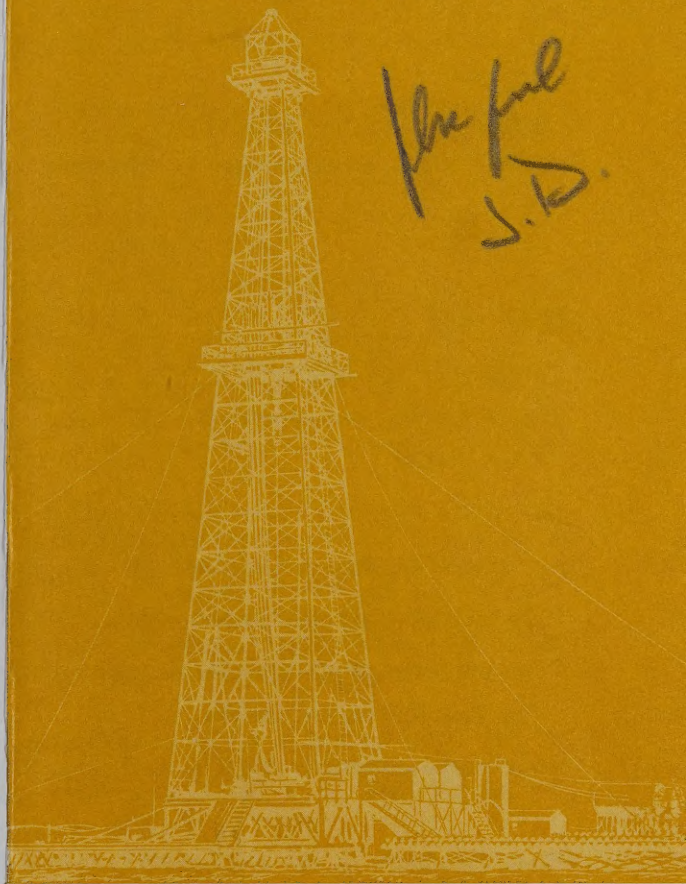
CENTRAL-DEL RIO OILS LIMITED

## Consolidated Financial and Operating Summary

	As at June 30 1965	As at December 31 1964
<b>Financial</b>		
Working capital .....	\$ 5,378,818	\$ 4,582,886
Fixed assets (net) ....	28,966,745	28,925,590
Miscellaneous .....	994,633	872,652
Total assets (net) ....	<u>\$35,340,196</u>	<u>\$34,381,128</u>
Capital stock .....	\$27,501,944	\$27,097,577
Surplus .....	<u>7,838,252</u>	<u>7,283,551</u>
Shareholders' investment .....	<u>\$35,340,196</u>	<u>\$34,381,128</u>

	First Half	
	1965	1964
<b>Operating</b>		
Oil sold for company account—bbls. ....	1,554,054	1,427,698
Average daily sales— bbls. ....	8,586	7,844

# CENTRAL DEL RIO OILS LIMITED



## Interim Report

FOR THE FIRST SIX MONTHS OF  
1965



included participation in the drilling of 28 wells. Of these, 9 were completed as oil producers and one as a gas well before June 30, while 14 were abandoned as dry holes and operations in another were suspended because of mechanical difficulties. In July, 2 of the remaining 3 wells commenced in the first half of the year were placed on oil production and the other was abandoned.

Among the new oil wells are 3 good Mississippian producers, 2 in the Ratcliffe area and one in the Lake Alma area of southeastern Saskatchewan, with combined production capability of approximately 550 barrels per day. Your Company owns one of these wells outright and its interest in the other 2 is 62½ %. A second well at Lake Alma, in which Central owns a 62½ % interest, has been completed but not yet production tested, and further drilling is now under way in both discovery areas. The Company's overall oil production rate is expected to rise significantly as development continues.

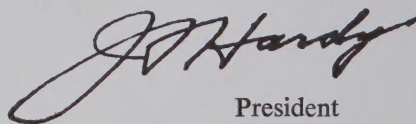
Our latest Annual Report to the shareholders contained reference to the important Banff Aquitaine Rainbow West 7-32 oil discovery, made in February, 1965, close to large Central-Del Rio landholdings in the Zama Lake area of northwestern Alberta. Further drilling by the discovery team and two other companies which had drilling rigs in the area before spring break-up appears to have tapped four separate oil accumulations, and substantial prices have been paid recently for leases and drilling reservations of Crown lands adjacent to the discoveries.

Muskeg conditions have prevented us from moving full-sized drilling equipment to our acreage but, in cooperation with Union Oil Company of Canada Limited, with which Central-Del Rio is associated in some of the landholdings, we have airlifted a large service rig to the location of the CDR Union Zama Lake 10-8 middle Devonian gas discovery well drilled in the Winter of 1962-63 approximately 12 miles to the northwest of the Rainbow oil discovery well. The rig is being used to evaluate horizons below the gas zone. Information gained from this work cannot yet be revealed because of the proximity of the site of operations to Crown acreage which is expected to be offered for sale by competitive bidding.

A number of changes in executive and senior staff appointments have been made during the past few months. Mr. Neil McQueen, Chairman of the Board and President of the Company since he founded it in 1947 under the name Central Leduc Oils Limited, has been elected Chairman of the Board and Chief Executive Officer. Mr. John F. Hardy, Executive Vice-President and General Manager of the Company since 1954, has been elected President and General Manager. Mr. C. M. MacInnes, formerly Central-Del Rio's Secretary, has been appointed Vice-President—Administration and Mr. A. Barry Beaven has moved up from the position of Assistant Secretary to that of Secretary.

The Company has been fortunate in securing the services of Dr. Ernest E. Pelzer and Mr. Geoffrey E. Thomas, each of whom has had extensive experience in positions of senior responsibility in petroleum geology. Dr. Pelzer has been named Chief Geologist for Central-Del Rio and Mr. Thomas has been appointed Senior Project Geologist.

At the Annual General Meeting all directors were re-elected. It will be of interest to the shareholders to know that, by request of the individuals concerned, no action was taken at the meeting on the proposal to reduce the price payable by Mr. Neil McQueen and Mr. John F. Hardy on exercise of options to purchase shares of the capital stock of the Company which had been granted to them by approval of the shareholders at the 1962 Annual Meeting. Proxies received from shareholders representing nearly two-thirds of the outstanding shares authorized an affirmative vote on the proposal.



President

Calgary, Alberta,  
July 26, 1965

# CENTRAL-DEL RIO OILS LIMITED

## CONSOLIDATED STATEMENT OF PROFIT AND LOSS

	For the Six Months ended June 30	
	1965	1964
<b>INCOME</b>		
Crude oil sales, less royalties paid .....	\$3,558,226	\$3,277,720
Other — fees, investment and miscellaneous .....	826,380	643,688
	<u>4,384,606</u>	<u>3,921,408</u>
 <b>EXPENSES</b>		
Production and field .....	674,018	689,117
Administrative and general .....	404,461	403,229
Lease rentals .....	313,000	295,000
	<u>1,391,479</u>	<u>1,387,346</u>
Cash generated from operations .....	2,993,127	2,534,062
Depreciation and amortization .....	1,291,825	1,252,000
Net profit before providing for taxes on income .....	1,701,302	1,282,062
Provision for taxes on income .....	163,000	159,000
Net profit for period .....	<u><u>\$1,538,302</u></u>	<u><u>\$1,123,062</u></u>
 Cash dividend paid .....	\$ 983,601	\$ 977,282
 Cash generated per share .....	46¢	39¢
 Net profit per share .....	23¢	17¢

Subject to adjustment and audit at end of year



# CENTRAL-DEL RIO OILS LIMITED

## TO THE SHAREHOLDERS:

In the first half of 1965 Central-Del Rio Oils Limited achieved excellent financial results through gains in income from oil sales and other sources, with only a moderate increase in expenses. Oil production rose steadily throughout the period, and output from areas in which new discovery wells were placed on production in June will accelerate this trend in the last six months of the year. In consequence, 1965 is expected to be the most rewarding year for Central-Del Rio since its inception.

A much greater quantity of oil was produced and sold by your Company in the first six months of this year than in the opening half of 1964, due largely to the constantly increasing effectiveness of unitized waterflood operations in the Weyburn field and the flourishing demand for Saskatchewan crude. Sales for the period aggregated 1,554,054 net barrels, averaging 8,586 net barrels per day. This is the highest sustained volume in Central-Del Rio's history. For comparison, total and daily average sales in the first half of 1964 were 1,427,698 barrels and 7,844 barrels, respectively.

Reflecting this growth, oil production income for the six-month period totalled \$3,558,226, after payment of royalties, for an increase of \$280,506, or 8½%, from the \$3,277,720 realized in the opening half of the previous year.

Income from other sources also showed improvement, from \$643,688 in the six months ended June 30, 1964 to \$826,380 in the period under review. This, however, is attributable to a non-recurring gain on sale of investments.

Total income for the half-year, after payment of royalties, amounted to \$4,384,606, up \$463,198 (12%) from the \$3,921,408 recorded in the first six months of 1964.

Notwithstanding continued expansion of operations, production and field expenses for the period January 1 to June 30, 1965 were approximately \$15,000 less than in the first half of last year. This saving was slightly more than offset by an increase in lease rentals due to further additions to the Company's landholdings, which aggregated 1,918,500 net acres at June 30, 1965, as compared with the total of 1,379,535 a year earlier. Administrative and general expenses remained virtually level. At \$1,391,479, total expenses in the first half of 1965 were only fractionally higher than the \$1,387,346 incurred in the same period of last year.

Cash generated from Central-Del Rio's operations between January 1 and June 30, 1965 reached a new six-month high of \$2,993,127, which amounts to 46¢ per share, an 18% advance from the \$2,534,062, or 39¢ per share, attained in the opening half of 1964.

After provision of \$1,291,825 for depreciation of plant and equipment and amortization of land, lease and well costs and \$163,000 for income taxes, the Company realized a first half net profit of \$1,538,302, exceeding the comparable 1964 figure of \$1,123,062 by \$415,240, which represents an improvement of 37%. Net profit per share was 23¢, as compared with 17¢ for the opening six months of last year.

Working capital increased to \$5,378,818 at June 30, 1965 from \$4,582,886 at December 31, 1964. The regular dividend of 10¢ per share, plus an extra 5¢ per share, totalling \$983,601, was paid on June 15 to shareholders of record at May 14, 1965.

Although near-record precipitation prevailed throughout the spring months in most areas in which Central-Del Rio's exploratory and development activities are concentrated, hampering operations to a considerable extent, the Company carried out a large program of field work which